BUDGET 2016-2019

Kou-kamma Municipality (EC109)

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Part 1- Annual Budget

1.1 Mayor's Report

The Minister of Finance highlighted in his budget speech that he budget deficit will fall from 3.2 per cent in 2016/17 to 2.8 per cent in 2017/18 and 2.4 per cent the following year. There is considerable variation in economic performances between countries and economic trends are likely to be volatile.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the Kou-kamma Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with available resources .We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitable to all communities.

The 2016/17 Medium Term Revenue and Expenditure Framework and its related policies has been compiled in compliance with the Municipal Finance Management Act No. 56 of 2003 and the Municipal Budget and Reporting Regulations which are aimed at improving credibility, sustainability, transparency, accuracy and reliability of municipal budgets.

The 2016/17 MTREF has been prepared using realistically anticipated estimates and are guided by guidelines as per the National Treasury Budget Circulars.

The main aim of the budget is **SERVICE DELIVERY**. It is also aimed at ensuring that services are effectively and efficiently rendered in the most economical way.

A brief overview of the budget 2016/17 budget is as follows:

- Total operating income-R 140 511 773

- Capital Budget- R 19 197 211
- Total operating expenditure – R 142 410 221

The capital budget would be financed solely from capital grants received from the Municipal Infrastructure Grant and ACIP.

The operating budget is extremely constrained and focuses on service delivery. The reason for this is the limiting income realistically anticipated.

Let us work together to build a better community of Kou-kamma thus achieving a better life for all.

THE MAYOR
COUNCILLOR S VUSO

1.2 Council Resolutions

On the 31st May 2016 the Council of Kou-kamma Local Municipality will meet in Kareedouw, to consider the approval of the Annual budget of the municipality for the financial year 2016/17 MTREF. It is recommended that Council approves and adopts the following resolutions:

1. The Council of Kou-kamma Local Municipality, acting in terms of Section 24 of the Municipal Finance Management Act (Act 56 of 2003) approves:
   1.1. The Annual Budget of the municipality for the financial year 2016/17 and the multi-year and single-year capital appropriations as set out in the following tables:
      1.1.1. Budgeted Financial Performance(revenue and expenditure by standard classification);
      1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote)
      1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
      1.1.4. Multi-year and single-year and single year capital appropriations by municipal vote and standard classification and associated funding by source.

   1.2. The financial position, cash flow budget, cash-backed reserve/ accumulated surplus, asset management and basic service delivery targets are approved as set out in the following table:
      1.2.1. Budgeted Financial Position;
      1.2.2. Budgeted Cash Flows
      1.2.3. Cash backed reserves and accumulated surplus reconciliation;
      1.2.4. Asset management; and
      1.2.5. Basic service delivery measurement.

2. The Council of Kou-kamma Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act, (Act 32 of 2000) approves:
   2.1. The property rates tariffs- as set out in Annexure C,
   2.2. The tariffs for electricity- as set out in Annexure C
   2.3. The tariffs for Sanitation-as set out in Annexure C
   2.4. The tariffs for refuse- as set out in Annexure C and
   2.5. Any other municipal tariffs as set out in the Tariff book

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3. The Council of Kou-kamma, acting in terms of Section 75A of Local Government: Municipal Systems Act (Act 32 of 2000) approves the tariffs for other services, as set out in Annexure C.

4. To give effect to the municipality's annual budget, the Council of the Council of Kou-kamma Local Municipality approves that:
   4.1. The cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent conditional grants are cash backed as required in terms of Regulation 8 of the Municipal Budget and Reporting Regulations, 2009(MBRR).

5. For Council to adopt the Service Level Standards as required by the National Treasury in MFMA Circular 78.

6. For Council to note the Progress report of Municipal Standard Chart of Accounts (mSCoA) Progress report as required by the National Treasury in MFMA Circular 78.

7. For council to note MFMA circular 82 regarding cost containment measures as issued by the National Treasury.

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1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

Section 21 of the Municipal Finance Management Act deals with Municipal Budgets and describes the entire budgeting process. The Mayor is tasked with the co-ordinating the processes for preparing the budget, reviewing the Integrated Development Plan (IDP) and budget related policies. The Accounting Officer, as per Section 68 of the MFMA, is required to assist the Mayor in developing and implementing the budgetary process.

Great emphasis was placed in ensuring that the budget is realistically funded. A complete analysis of the various financial scenarios and outcomes was done and the best viable solution sought.

In addition to the budget, an amendment to the Municipal Systems Act (MSA) and Chapter 4 of the MFMA require that the Integrated Development Plan (IDP) be adopted at the same time of adopting the budget. The IDP informs the budget and their simultaneous adoption will ensure that the budget is properly aligned to the IDP and ensure that planned projects are credible and that the budgets are realistic and implementable. The budget was drafted in conjunction with the IDP.

The annual budget was prepared in accordance to the National Treasury's content and format as contained in Circular 78 & 79. The two concepts considered were:

1) That the budget must be funded according to Section 18 of the MFMA(as mentioned above), and
2) That the budget must be credible.

A credible budget is described as one that:

- Funds only activities consistent with the draft IDP and vice versa ensuring the IDP is realistically achievable given the financial constraints of the municipality.
- Is achievable in terms of agreed service delivery and performance targets.
- Contains revenue and expenditure projections that are consistent with current and past performance and supported by documented evidence of future assumptions.

- Does not jeopardize the financial viability of the municipality(ensures that the financial position is maintained within generally accepted prudential limits and that obligations can be met in the short, medium and long term); and
- Provides managers with appropriate levels of delegation sufficient to meet their financial management responsibilities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds are transferred from low-to high- priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have items' as approved by the Cabinet.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. The Municipality has also adopted a conservative approach when projecting its expected revenue and cash receipts.

The main challenges experienced during the compilation of the 2016/17 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy
- Aging and poorly maintained roads and electricity and water infrastructure.
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality'
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents,
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Availability of affordable capital/borrowing.
- Low collection rates and
- Cash flow challenges

The following budget principles and guidelines directly informed the compilation of the 2016/17 MTREF:

- The 2015/16 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget adopted as upper limits for new baselines for the 2016/17 and annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs.
- There will be no budget allocated to National and Provincial funded projects unless the necessary grants to the municipality are reflected in the National and Provincial budget and have been gazetted as required by the annual Division of Revenue Act (Dora) or MTBPS.

Table 1 Consolidated Overview of the 2016/17 MTREF

DESCRIPTION	2015/16 ADJUSTMENTS BUDGET	201617	Budget year +1 201718	Budget year +2 201819
Operational Income	-149 791 266.70	-140 459 289.29	-144 576 086.67	-153 295 981.01
Operational Expenditure	132 801 747.76	142 357 737.94	152 097 927.59	161 511 683.79
Capital Expenditure	39 333 300.94	19 197 211.35	14 881 750.00	15 509 700.00
(SURPLUS) / DEFICIT	**22 343 782.00**	**21 095 660.00**	**22 403 590.92**	**23 725 402.78**
Depreciation	22 343 782.00	21 095 660.00	22 403 590.92	23 725 402.78
NET (SURPLUS) / DEFICIT	-	-	-	-

Total operating revenue has decreased by 6.0 per cent or R9 33 million for the 2016/17 financial year compared to the 2015/16 Adjustments Budget. This is mainly due to the fact that the grant has decreased significantly from the compilation of the adjustments budget to the new financial year. For the two outer years, operational revenue for rates and services will increase by 6 % and 6 % respectively.

Total operating expenditure for the 2016/17 financial year has increased by R9 56 million or 7.0 per cent, when compared to the 2015/16 Adjustments Budget. For the two outer years, operational expenditure will increase by 6 % and 6 % respectively.

1.3.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations (MBRR) states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in Section 53 of the Act.

1.3.2 Overview of budget related- policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. The following draft budget polices will be tabled for consideration with the draft budget:

- Supply chain management
- Credit Control and Debt Collection
- Indigent Support
- Rates
- Write off
- Tariff
- Virement

1.3.3 Overview of budget assumptions

1.3.3.1 External factors

Due to the slowdown of the economy, companied by the geographical are of the municipality; financial resources are limited as result of slow/no economic growth, this therefore reduces payment levels by consumers. The high levels of unemployment, resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

1.3.3.2 General Inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2016/17 MTERF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses.
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration.

1.3.3.3 Collection rate for revenue services

The current collection rate of the municipality is below 50%, this necessitates aggressive revenue enhancement strategies. Therefore base assumption is that tariff and rating increases will increase at the same rate as CPI.

As part of the revenue enhancement strategies to be implemented, new proposed tariffs are to be introduced during the new financial year, as well as a step tariff for electricity.

An action plan is also developed by the finance department to address the low collection rate. In addition to these initiatives, there are various investments within the LED section, which prime focus will be on job creation, this is critical as high income will assist with the decrease in the indigent book and increase in the collection rate of the municipality.

1.3.3.4 Salary increases

In accordance with the guidance in the MFMA circular 78 as the Salary wage agreement that was signed, salaries were adjusted by 7.0%. This also takes into account salary notch increases of 1%.

1.3.3.5 Impact of national, provincial and local policies

In compilation of the budget for 2016/17, cognisance was taken of Provincial and National strategies.

1.3.3.6 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 per cent is achieved on Operating expenditure and 70 per cent on the Capital Programme for the 2015/16 of which performance has been factored into the cash flow budget.

This basis has thus been used as a benchmark for the 2016/17 annual budget.

1.3.3.7 Cost containment

Due to cash flow constraints within the municipality, operational costs are kept at a minimum. Officials do not make use of air transport and workshops, trainings and other events are not attended, unless special permission is granted by the Municipal Manager. All Travel and subsistence claims, must be accompanied by a pre-approval (trip authority) as well as a memo directed to the CFO as to why an official attended a specific event. MFMA circular 82 is therefore tabled with the budget in this regard.

The other item contributing to revenue is "other income' which consists of various items such as income received from permits and licences, building plan fees, connection fees, rental of facilities and other sundry income. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Table 3 Operating and Capital Grants Receipts

Grants	2016/17	2017/18	2018/19
Capital			
Direct			
MIG	14 694 000.00	15 665 000.00	16 326 000.00
ACIP	4 645 000.00		
INEP		4 000 000.00	4 000 000.00
Indirect			
RBIG	8 987 000.00	1 684 000.00	
INEP	1 768 000.00	1 922 000.00	2 033 000.00
	30 094 000.00	**23 271 000.00**	**22 359 000.00**
Operational			
Equitable share	39 760 000.00	42 981 000.00	46 102 000.00
FMG	1 825 000.00	1 900 000.00	2 155 000.00
DSRAC	932 000.00	932 000.00	932 000.00
Enviromental health	962 926.00		
EPWP	1 000 000.00		
	44 479 926.00	**45 813 000.00**	**49 189 000.00**
Total	**R 74 573 926.00**	**R 69 084 000.00**	**R 71 548 000.00**

As indicated in the table above, is a breakdown of both capital and operational grants to be received in the 2016/17 MTREF. The funding from ACIP will be utilised towards Water and Sanitation projects.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the ratio for the non-residential categories, Public Service Infrastructure and agricultural properties relative to residential properties to be 0,251:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

In terms of the Municipal Property Rates Act, property valuations need to be assessed every four years for inclusion in the General Valuation Roll. The municipality has an updated valuation roll; however a supplementary valuation will have to be completed before implementation of the new valuation roll.

Table 4 Comparison of proposed rates to be levied for the 2015/16 financial year
Tariffs are attached as a separate appendix to the report.

1.4.2 Sale of Electricity and Impact of Tariff Increases

Considering the Eskom increases and the meeting dated April 2013, with the delegation from the NERSA the Municipality was advised that a stepped tariff structure needs to be implemented from 1 July 2013. However the municipality thought it well to maintain the current tariff structure during the 2014/15 financial year. During the 2015/16 budget process, this decision was revisited and consequently concluded that the step- tariff structure will need to be implemented, an application in this regard was made to NERSA. The decision was kept constant for the 2016/17 financial year. Registered indigents will again be granted 50 kWh per 30 day period free of charge.

The following tables show the proposed changes to the current tariff structure:

Table 4: Tariff structure (Electricity)

2015/16		2016/17		
Prices per cent (Excl VAT)				
Block 1 (0 - 50Kwh)	R 0.80	Block 1 (0 - 50Kwh)	R	0.85
Block 2 (51 - 100Kwh)	R 1.00	Block 2 (51 - 350Kwh)	R	1.08
Block 3 (101 - 200Kwh)	R 1.50	Block 3 (351 - 600Kwh)	R	1.61
Block 4 (>200Kwh)	R 2.00	Block 4 (>600Kwh)	R	1.95

With the above increases the aim is to both increase revenue and encourage consumers to use electricity wisely as our country's national grid is under severe pressure. No basic charge will be levied for electricity.

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2016/17 budget and MTREF is informed by the following:

- Balanced budget constrain (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit.
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the assets renewal and backlogs eradication.
- Operational gains and efficiencies will be directed to funding the capital budget and other core services, and

Table 5 Summary of operating expenditure by standard classification item

Expenditure By Type											
Employee related costs	2	30 799	33 451	39 116	43 274	41 007	41 007	41 007	46 780	50 146	53 605
Remuneration of councillors		2 539	2 768	2 901	4 646	2 921	2 921	2 921	3 270	3 473	3 678
Debt impairment	3	19 001	10 332	19 638	15 387	18 769	18 769	18 769	23 476	26 703	28 279
Depreciation & asset impairment	2	19 854	18 907	16 883	22 344	22 344	22 344	22 344	21 096	22 404	23 725
Finance charges		466	346	650	196	408	408	408	422	448	475
Bulk purchases	2	2 579	2 738	2 674	3 425	3 451	3 451	3 451	3 722	3 953	4 186
Other materials	8										
Contracted services		2 854	2 845	3 351	3 325	3 428	3 325	3 428	3 376	3 217	3 407
Transfers and grants		39 009	45 061	25 094	17 028	20 323	20 323	20 323	18 042	18 204	19 217
Other expenditure	4, 5	20 812	22 563	18 547	21 251	20 204	21 251	20 204	22 174	23 550	24 940
Loss on disposal of PPE		464	60								
Total Expenditure		**138 377**	**139 071**	**128 853**	**130 876**	**132 854**	**133 798**	**132 854**	**142 358**	**152 098**	**161 512**
Surplus/(Deficit)		**(41 624)**	**(34 207)**	**(24 236)**	**(23 013)**	**(21 832)**	**(22 443)**	**(21 832)**	**(20 503)**	**(22 404)**	**(23 725)**
Transfers recognised - capital		13 209	30 218	24 856	19 949	38 821	38 821	38 821	18 604	14 882	15 510

The budgeted allocation for employee related costs for the 2016/17 financial year totals R46 779 million, which equals 33.0 per cent of the total operating expenditure. Circular 70 guidelines have been implemented with regards to the percentage of employee costs to operational expenditure is between 30-40%, the municipality is thus within these limits. Furthermore as per Circular 78, a guideline increase of CPI + 1% was proposed.

The cost associated with the Remuneration of Councillors is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent Proclamation in this regard has not yet been finalised as negotiations are still underway.

The provision of debt impairment was determined based on an annual collection rate per services which is currently as follows:

- Property rates: 70%
- Sewerage: 13%
- Water: 22%
- Refuse:10%
- Electricity: 9%

While the expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues. Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy.

Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R 21 096 million for the 2016/17 financial year and equate to 15.0 percent of the total expenditure. Note that the implementation of GRAP 17 Accounting Standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increase of 7.857 per cent has been factored into the budget appropriations and directly informs the revenue provisions. The expenditures include distribution losses.

Other materials comprise of amongst others the purchase of materials for maintenance. In line with the Municipality's repairs and maintenance the expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure.

The following are the main expenditure categories for 2016/17 financial year:

- Employee related costs
- Remuneration of Councillors
- Debt impairment
- Depreciation and Asset Impairment
- Bulk Purchases
- Transfers and grants

1.5.1 Free Basic Services: Basic Welfare Package

The welfare package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services that households are required to register in terms of the Municipality's Indigent Policy. An amount of R15 459 million has been allocated from the 2016/17 equitable share to provide relief to the indigent consumers. Taking cognizance of the plight of the poor and affordability of basic services, 6kl of free water and 50kwh of electricity per month, refuse, sanitation; grave site as well as rebates on rates is applicable.

1.6 Capital Expenditure

Capital expenditure for the next three years will be funded solely by Grants and other external fund sources. This is due to significant constraints of Council funds as highlighted in the sections above and the significant impact that the increase in the bulk electricity tariffs had on the cash flow of the municipality. The Capital Grants to be received are highlighted in the Executive Summary above.

Table 6 Capital expenditure by standard classification

Capital Expenditure - Standard											
Governance and administration		346	1 364	738	83	1 044	1 044	1 044	50	-	-
Executive and council		205	913								
Budget and treasury office		40	41			261	261	261			
Corporate services		101	410	738	83	783	783	783	50		
Community and public safety		727	3 919	5 242	5 500	14 051	14 051	14 051	240	-	-
Community and social services		707	-	4 290	5 500	9 999	9 999	9 999	120		
Sport and recreation		20	-	952		880	880	880			
Public safety		-	3 919			3 172	3 172	3 172	120		
Housing											
Health											
Economic and environmental services		582	1 638	12 001	3 200	6 700	6 700	6 700	-	-	-
Planning and development											
Road transport		582	1 638	11 654	3 200	6 700	6 700	6 700			
Environmental protection				347							
Trading services		10 180	18 548	8 051	10 498	17 539	17 539	17 539	18 907	14 882	15 510
Electricity		-	-	61	2 000	2 000	2 000	2 000			
Water		10 179	18 524	6 572	5 568	11 566	11 566	11 566	13 959	11 161	11 632
Waste water management		1	-	1 418	2 930	3 973	3 973	3 973	4 645	3 720	3 877
Waste management			24						303		
Other											
Total Capital Expenditure - Standard	3	11 835	25 469	26 032	19 281	39 334	39 334	39 334	19 197	14 882	15 510
Funded by:											
National Government		10 771	22 463	23 985	19 198	34 290	34 290	34 290	18 907	14 882	15 510
Provincial Government		680	2 732	1 374		3 472	3 472	3 472			
District Municipality		-	-	214		1 229	1 229	1 229			
Other transfers and grants											
Transfers recognised - capital	4	11 451	25 196	25 573	19 198	38 991	38 991	38 991	18 907	14 882	15 510
Public contributions & donations	5										
Borrowing	6										
Internally generated funds		384	273	113	83	343	343	343	290		
Total Capital Funding	7	11 835	25 469	25 686	19 281	39 334	39 334	39 334	19 197	14 882	15 510

Table 7 Capital expenditure by project

Project	**Total Cost**
Coldstream bulk water supply	R 1 245 787.47
Stormsriver Replacement of Low Pressure water mains	R 6 017 000.00
Rehabilitation of Louterwater Water Treatment Works	R 6 696 512.53
Refurbishment of louterwater waste water treatment	R 2 500 000.00
Laurelridge rehabilatation of Waste Water Treatment works	R [illegible] 145 000.00

Part 2: Supporting Documentation

Table 1 MBRR Table A6- Budgeted Financial Position

EC109 Kou-Kamma - Table A6 Budgeted Financial Position

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
ASSETS											
Current assets											
Cash		5 571	8 288	166	524	524	524	524	177	187	199
Call investment deposits	1	–	–	–	–	–	–	–	–	–	–
Consumer debtors	1	3 545	5 492	8 627	53 885	57 266	57 266	57 266	9 169	7 900	8 401
Other debtors		12 272	11 333	12 112					12 911	13 686	14 507
Current portion of long-term receivables											
Inventory	2	847	762	319					340	362	386
Total current assets		**22 235**	**25 876**	**21 223**	**54 409**	**57 790**	**57 790**	**57 790**	**22 597**	**22 136**	**23 493**
Non current assets											
Long-term receivables											
Investments											
Investment property		25 411	25 377	25 171					26 832	28 442	30 148
Investment in Associate											
Property, plant and equipment	3	290 350	292 251	301 612	198 261	218 314	218 314	218 314	321 518	340 767	361 236
Agricultural											
Biological											
Intangible		669	738	376					401	425	451
Other non-current assets											
Total non current assets		**316 430**	**318 366**	**327 159**	**198 261**	**218 314**	**218 314**	**218 314**	**348 752**	**369 634**	**391 835**
TOTAL ASSETS		**338 665**	**344 241**	**348 382**	**252 670**	**276 104**	**276 104**	**276 104**	**371 349**	**391 770**	**415 328**
LIABILITIES											
Current liabilities											
Bank overdraft	1				6 000	6 000			6 000		
Borrowing	4	–	–	–	–	–	–	–	–	–	–
Consumer deposits		105	105	105					105	105	105
Trade and other payables	4	22 304	32 585	34 952	16 250	16 250	16 250	16 250	37 548	39 801	42 189
Provisions		1 279	1 223	1 589					1 404	1 488	1 577
Total current liabilities		**23 688**	**33 913**	**36 645**	**22 250**	**22 250**	**16 250**	**16 250**	**45 057**	**41 394**	**43 871**
Non current liabilities											
Borrowing		–	–	–	–	–	–	–	–	–	–
Provisions		2 865	3 261	4 026	1 852	1 852	1 852	1 852	4 291	4 549	4 822
Total non current liabilities		**2 865**	**3 261**	**4 026**	**1 852**	**1 852**	**1 852**	**1 852**	**4 291**	**4 549**	**4 822**
TOTAL LIABILITIES		**26 553**	**37 174**	**40 671**	**24 102**	**24 102**	**18 102**	**18 102**	**49 348**	**45 943**	**48 693**
NET ASSETS	5	**312 113**	**307 068**	**307 711**	**228 568**	**252 003**	**258 003**	**258 003**	**322 000**	**345 827**	**366 635**
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		312 113	307 068	307 711	235 942	259 377	259 377	259 377	322 000	345 827	366 635
Reserves	4	–	–	–	(7 374)	(7 374)	(7 374)	(7 374)	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	**312 113**	**307 068**	**307 711**	**228 568**	**252 003**	**252 003**	**252 003**	**322 000**	**345 827**	**366 635**

Explanatory notes to Table A6- Budgeted Financial Position

1. Table A6 is consistent with International Standards of good financial management practice, and improves understandability for Councillors and management of the impact of the budget on the Statement of Financial Position (Balance Sheet).

2. This format of presenting the Statement of Financial Position is aligned to GRAP 1, which is generally aligned to the International version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group

illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. Table 14 is supported by an extensive table of notes (SA3) providing a detailed analysis of the major components of a number of items, including:
   - Call investments deposits;
   - Consumer debtors;
   - Property, Plant and Equipment;
   - Trade and other payables;
   - Provisions non-current;
   - Changes in net assets; and
   - Reserves

4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the Community.

5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 12 MBRR Table A7- Budgeted Cash Flow Statement

EC109 Kou-Kamma - Table A7 Budgeted Cash Flows

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		12 702	13 285	15 488	11 399	12 696	12 696	12 696	11 680	12 405	13 136
Service charges		18 911	22 634	23 169	7 368	3 654	3 654	3 654	3 786	4 021	4 258
Other revenue		3 228	2 695	3 704	5 417	6 360	6 360	6 360	28 731	28 219	29 900
Government - operating	1	56 760	67 469	49 413	50 560	50 560	50 560	50 560	45 215	50 596	54 005
Government - capital	1	17 763	28 271	31 871	19 949	40 002	40 002	40 002	18 604	14 882	15 510
Interest		597	710	5 851	5 335	7 094	7 094	7 094	3 022	3 209	3 399
Dividends									–	–	–
Payments											
Suppliers and employees		(58 511)	(61 797)	(87 758)	(54 670)	(54 743)	(54 743)	(54 743)	(79 322)	(84 339)	(89 816)
Finance charges		(466)	(346)	(650)	(196)	(408)	(408)	(408)	(422)	(448)	(475)
Transfers and Grants	1	(39 009)	(45 061)	(25 094)	(38 279)	(38 279)	(38 279)	(38 279)	(18 042)	(18 204)	(19 217)
NET CASH FROM/(USED) OPERATING ACTIVITIES		**11 975**	**27 861**	**15 995**	**6 883**	**26 935**	**26 935**	**26 935**	**13 253**	**10 341**	**10 701**
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		166	325	794					–	–	–
Decrease (Increase) in non-current debtors		–	–		12 163	12 163	12 163	12 163	5 813	4 541	4 809
Decrease (increase) other non-current receivables									–	–	–
Decrease (increase) in non-current investments				1 121					–	–	–
Payments											
Capital assets		(11 835)	(25 469)	(26 032)	(19 281)	(39 334)	(39 334)	(39 334)	(19 197)	(14 882)	(15 510)
NET CASH FROM/(USED) INVESTING ACTIVITIES		**(11 669)**	**(25 144)**	**(24 117)**	**(7 118)**	**(27 171)**	**(27 171)**	**(27 171)**	**(13 385)**	**(10 341)**	**(10 701)**
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans					12 000	12 000	12 000	12 000	6 000	–	–
Borrowing long term/refinancing									–	–	–
Increase (decrease) in consumer deposits									–	–	–
Payments											
Repayment of borrowing					(12 000)	(12 000)	(12 000)	(12 000)	(6 000)	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
NET INCREASE/ (DECREASE) IN CASH HELD		**306**	**2 717**	**(8 122)**	**(235)**	**(235)**	**(235)**	**(235)**	**(132)**	**–**	**–**
Cash/cash equivalents at the year begin:	2	**5 265**	**5 265**	**8 288**	**235**	**235**	**235**	**235**	**132**	**(0)**	**(0)**
Cash/cash equivalents at the year end:	2	**5 571**	**7 982**	**166**	**0**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**

Explanatory notes to Table A7- Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.

2. It shows be expected level of cash inflow versus cash out-flow that is likely to result from the implementation of the budget.

2. Municipal Manager's quality certificate

I, **Sabelo Nkuhlu**, Municipal Manager of Kou-kamma Local Municipality, hereby certify that the 2016/17 Annual Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the Municipal Budget and Reporting Regulations, and that the Annual Budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

Print Name: SABELO NKUHLU

Signature –

Date: 31 MAY 2016

KOUKAMMA MUNICIPALITY

31 MAY 2016

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